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Iranian Socioeconomic Interest Groups

An Intelligence Assessment

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An Intelligence Assessment

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Iranian Socioeconomic Interest Groups

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Overview

Khomeini continues to be the cement holding the Iranian revolution together. Even though his personal popularity and that of his revolution have fallen, he remains a rallying point for most Iranians and at present no group is powerful enough to effectively challenge him or his vision of an Islamic Republic.

In the 10 months since the Shah's departure from Iran, however, the euphoria that had gripped the nation has clearly receded. The revolution has not produced the hoped-for improvement in economic conditions—indeed it has made things worse for many, including the very large number of unemployed urban workers—and disillusionment is spreading.

The Kurds are in open revolt, and other ethnic minorities are increasingly restless as they experience the weight of Persian-Shia dominance. Moreover, the modern middle class—including secular intellectuals—is becoming increasingly uncomfortable with the fundamentalist Islamic precepts that guide today's Iran. The growing frustration of all of these groups is creating instability in the short run and setting the stage for political polarization in the long run.

The *bazaaris,* who were the financiers of the revolution, are disturbed by continued unsettled economic conditions, as well as by the nationalizations of private businesses. Although religious, the bazaaris are pragmatic and oriented toward economic gain. They could turn to other religious or secular leaders who promised to restore stability and profits.

The *modern labor force,* which played a pivotal role in the Shah's overthrow, has become a fertile ground for unrest in today's Iran. While urban labor has given enthusiastic political support to Khomeini, it has not responded to his calls for sacrifice and for the resumption of productive work. Workers, who had hoped to reap substantial economic benefits from the new Islamic government, are instead finding high unemployment, rising inflation, and shortages of goods.

Civil servants, the chameleons of the revoluton, were frightened by the executions of counterrevolutionaries and are being further upset by Khomeini's calls for the purging of government agencies. Few bureaucrats are actively doing their jobs, and even fewer are risking initiatives.

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Iran's *rural inhabitants*—hitherto supporters of the new Islamic Republic—are also becoming increasingly restive because of the accelerating breakdown in law and order. Except for ethnic minorities struggling for autonomy, most rural dwellers still only want to live their lives with a minimum of government interference. Peasant attitudes could change radically, however, if government initiatives adversely affect rural lifestyles.

While the ideal of an Islamic state may prove impractical in the economic sphere, the interpretation of Islamic doctrine is in theory flexible enough to allow adaption of new policies. So far, however, the Iranian leadership has given no indication that it will be sufficiently flexible to stem the growing alienation of the middle class, the bureaucrats, and other secular forces. In this paper, we assess the economic and political strengths and weaknesses of the various socioeconomic groups and analyze their potential to challenge Khomeini and his Islamic Republic.

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Iranian Socioeconomic Interest Groups

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The Clergy, Creating a Theocracy

The Shia clergy of Iran, Shah Mohammad Reza Pahlavi's most persistent opponents, have a long tradition of opposition to secular rule. In the last 150 years this opposition has recurringly taken the theme of resistance to both domestic absolutism and foreign domination. The clergy are regaining the economic, judicial and political power they have been losing for more than a century—especially under the Pahlavi dynasty—and the founding of an Islamic theocracy in Iran appears probable. However, the more secular and modern elements in the society and the ethnic minorities—all participants in the toppling of the Shah—are becoming increasingly frustrated by the rigidity of the clergy.

Shia Tradition and Doctrine

Clergy of the Shia sect of Islam—the official religion to which about 95 percent of Iran's 36 million people belong—have been longtime opponents of secular governments and especially of the Pahlavi dynasty. According to Shia doctrine, secular and spiritual leadership should be combined in a single person as manifested by the 12 Imams, descendants of Muhammad. The separation of the two powers, which occurred about 150 years before the disappearance of the 12th Imam in 873 A.D., is viewed by the Shias as both temporary and illegal.

While Shia doctrine recognized other spiritual leaders as "agents" of the Hidden Imam, the direct appointment of such agents ceased in 940 A.D. when the last agent refused to name a successor. The concept of the agent of the Imam has been revived, however, and some Iranians have referred to Khomeini in this vein. Khomeini, although distancing himself from claims of being an agent or a true Iman, accepts his role as the preeminent figure among the *mujtahid*—popularly recognized religious leaders worthy of imitation. The Shia concept of *mujtahid* also encompasses the doctrine of *ijtihad*—the discovery and authoritative enunciation of fresh religious truths based on the Sharia.[1]

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Clerical Opposition to Westernism and Tyranny

Clerical opposition to secular rule took on the twin themes of resistance to foreign domination and domestic absolutism during the late 18th and early 19th centuries when European nations became more interested in the country, which was then ruled by the Qajar dynasty. One of the earlier instances of clerical political action took place in 1826 when the *ulama* (clergy), fearing Russian influence and expansionism, forced the Qajar Shah to renew war against Russia by calling a *jihad* (holy war). Unfortunately for Persia, the war was lost and Russia gained more Persian territory as well as extraterritorial rights exempting Russian citizens from trials in Persian courts.

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Other foreign countries demanded similar treatment for their citizens, but such concessions were abolished by Reza Shah, the present Shah's father. The Iranian-American agreement of 1964, which gave the US military mission a special status based on the stipulations of the Geneva Convention, was represented by the Shah's opponents as a reestablishment of the concessions. A $200 million loan from the United States for the purchase of military equipment was seen as a payoff to the Shah for granting the "capitulations." This was seized on by Ayatollah Khomeini to renew his attacks on the Shah.

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The clergy also played a major role in the Constitutional Revolution of 1905-06. The constitution then promulgated gave a body of five theologians the right to set aside any law that in their opinion contravened the holy principles of Islam. Since this article had been ignored by subsequent secular rulers, the full implementation of the 1906 constitution became a rallying call for some clergy in the early stages of the 1978-79 revolution.

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[1] The Sharia is the sum of the laws derived from the Koran, the Traditions, the consensus of the scholars, human reason, and *ijtihad*

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Clerical Opposition to the Pahlavis

The monarchy alienated the clergy by emphasizing Iran's dynastic tradition—which emphasized pre-Islamic Persian glories—rather than its Islamic heritage and by undertaking a series of measures aimed at undermining clerical power. The power of the clergy was derived from many sources. Since Islamic law—as based on the Sharia—was the only law available, the clergy maintained a judicial monopoly. Power was also derived from clerical participation in the government bureaucracy, relationships through marriage, and control of funds from *waqf* (religious) endowments, which included land, villages, and sources of irrigation water. At the same time, preaching and good works gave the clergy influence over the population in general.

In exercising power, the clergy gathered wealth, prestige, and personal security. Under Islam, clergymen were under no special restrictions with regard to acquisition of property, and in this pursuit they were sometimes not above abusing their extensive control of courts and legal procedures. Their financial advancement in turn strengthened their political influence.

Reza Shah undertook measures aimed at undermining the clergy's power which often resulted in the substantial reduction of *ulama* income. The severest blow came in the early 1930s when religious law was replaced by Western codes and Western style courts were established with nonreligious judges. While religious authority on matters of personal status, such as marriage and divorce, continued, it was gradually restricted over the years. Reza Shah's government also refused to exempt theological students from military service and began the removal of general education from clerical control. Clerical participation in the bureaucracy was curtailed, and the collection and use of *waqf* funds were restricted.

During this time, Western dress was forced on the population and Western forms of entertainment, such as the cinema, were introduced. The antagonism of the *ulama* was aroused not only by these measures but also by the progressively open contempt shown them by the Shah.

Pressure on the clergy eased after the Soviet and British invasion of Iran in 1941, when Reza Shah was forced to abdicate. Several of the Shah's antireligious measures lapsed, and the clergy was able to regain some of its old control over endowments and education. This resurgence of clerical influence lasted from 1941 until the royalist coup of 1953. 25X1

As soon as he had consolidated his power, Shah Mohammad Reza Pahlavi renewed his father's efforts to Westernize Iran and undermine the clerical opposition. Education was almost totally secularized. The Shah's land reform program of the early 1960s included the redistribution of a considerable portion of *waqf* lands. Earnings from the endowments were replaced by an annual government grant. Women's rights legislation also removed more of the *ulama's* judicial influence over marital and family affairs. 25X1 25X1

With the rapid change and social upheaval ushered in by modernization, especially after the 1973 oil boom, many Iranians retreated in dismay to traditional religious values. Economic problems, lack of political participation, and corruption all came to be blamed on the government's modernization and Westernization policy; thus it is not surprising that many Iranians looked to Islam as the remedy. During most of his reign, the Shah's autocratic style left little scope for political criticism, and the religious establishment became the spokesman for grievances. Later, when the Shah attempted to create a more liberal atmosphere, the clergy were quick to exploit the new freedom to incite the poorly educated and unemployed urban masses. 25X1 25X1

The Ulama Today

The revolution in Iran, given form and leadership by Ayatollah Khomeini, has provided the Shia clergy an unparalleled opportunity to take over the reigns of government. Their goal is the establishment of an Islamic Republic that perpetuates their role as preeminent leaders of the nation. The new constitution being written gives extensive powers to a *marja-i-taqlid* (a recognized religious leader of highest prominence) to oversee the government. If no single *marja* can be settled upon, a body of five theologians will sit in his place. 25X1 25X1 25X1

Currently, the revolution has permitted the clergy to assume leadership roles at all levels of government, from local councils to the powerful Revolutionary Council at the top of the government pyramid. Khomeini himself is the final authority and arbitrator of all government decisions. While there are two or three Ayatollahs who could be considered to be close to the same stature as Khomeini, they do not command nearly the widespread following. Ayatollah Shariat-Madari, who is probably second in popularity, especially among the Azerbaijanis and the more Westernized middle class, is the only moderate among the well-known *ulama*. He has preferred, so far, to avoid a direct political contest with Khomeini and may be open to criticism that he was supportive of the Shah in the mid-1960s. The other well-known clergy tend to be as orthodox and conservative as Khomeini.

The specific policies for attaining a totally Islamic society are often vague and left open to interpretation. In the economic sphere, for instance, an Islamic economy appears to be nothing more than a free economy in which "just" participants follow the teachings of the Koran and Sharia. It is more of a collection of laws and attitudes than an economic system. The prohibition against interest and the system of inheritance laws are fairly well established. Islamic banks, as such, are akin to Western venture capital firms—taking deposits, investing, sharing in profits and losses, and passing on the profits and losses to their depositors. The practical aspects of working within the international monetary system have not been completely worked out, however, and in other Islamic countries rules and definitions have been bent to accommodate the prohibitions against interest.

Another established principle is the duty of sharing wealth with the poor. The *zakhat,* as the almsgiving duty is called, can be interpreted as a compulsory tax. It is largely a matter of conscience in most Muslim countries today.

Private property is protected under Islam, but, since all property ultimately belongs to God, its earthly owners have only a stewardship role. Thus, the property of the industrialists who fled Iran could be nationalized because these people demonstrated their inability to adequately administer the property. Property can also be seized for nonuse or for the public good.

As to general economic policies, Iranian leaders stress the importance of agriculture and view favorably enterprises based upon individual initiative, such as farming, small-scale merchandising, services, and light manufacturing. Large-scale enterprises in every field will likely fall under the province of the state. Individuals almost certainly will not be allowed to accumulate holdings as vast as some acquired under the Shah. 25X1

Outlook

The clergy are now closer than at any other time in recent history to attaining the combination of secular and religious leadership of the early Imams. Even though his personal popularity and that of his revolution have fallen in recent months, Khomeini remains the rallying point for most Iranians, and the founding of a theocratic state appears almost certain. Only the death of Khomeini or the outbreak of widescale ethnic revolt could sidetrack its development. 25X1 25X1

While popular discontent may grow if economic conditions worsen, Khomeini has managed to insulate himself somewhat from the implementation of policy. In addition, while the ideal of an Islamic state may prove impractical in the economic sphere, the interpretation of Islamic doctrine is in theory flexible enough to allow adaptation of new policies. So far, however, the Iranian leadership has given no indication that it will be sufficiently flexible to stem the growing alienation among the middle class, the bureaucrats, and the secular forces who generally are needed to run an already modernized Iran. 25X1

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The Bazaaris—Financiers of Revolution

Among the socioeconomic groups most disrupted by the Shah's reform programs were the *bazaaris*—the traditional traders, bankers, and businessmen of Iranian society. Conservative, religious, and nationalistic, they felt driven to renew their traditional alliance with Shia religious leaders—the Shah's number one enemies—in order to reestablish the old order. This alliance served as the inner core from which the revolution spread. For their part, the bazaaris contributed financing and an organization and communication system that helped put thousands of demonstrators into the streets. 25X1 25X1

The bazaari backing for Ayatollah Khomeini may be on the wane. Many merchants are unhappy with continuing unsettled economic conditions. More important, they are disturbed by the nationalizations of private businesses and the trials of shopkeepers for profiteering. Further economic deterioration could shift bazaari allegiance to other religious leaders or even to a strong secular personality should one begin to emerge. Signs of disenchantment with the revolution are already apparent—notably the support of some bazaaris for the Muslim People's Islamic Republic Party of Ayatollah Shariat-Madari instead of the Islamic Republic Party of Khomeini's

Traditional Role and Influence

The bazaar in Iran is the long-established center of financial and commercial activity. More important, it is also a symbol for the merchants, traders, and businessmen who compose the bulk of Iran's middle class. These individuals share a common heritage and deep-rooted values, even though their activities, such as manufacturing, have spread well beyond the physical boundaries of the bazaar itself. Although their once overwhelming influence over the Iranian economy was eroded by industrialization and by the rapid growth of the economy and government power over the last two decades, the bazaaris have remained the commercial core of every Iranian city. On the eve of the revolution, the bazaaris still accounted for an estimated one-third of imports, most nonoil exports, and two-thirds of retail trade. Furthermore, the moneylenders of the bazaars controlled up to one-fourth of domestic financial dealings.

The influence of the bazaar extends well beyond its commercial and financial activities. The bazaaris, who number 400,000 in Tehran alone, have more daily contact with the people in every city and village of any size than the mullahs. Through extended family connections, the bazaaris have influence with professionals and intellectuals. Although often only attending lower level religious schools, the merchants have been able in recent generations to send their sons to institutions of higher education. These family members have moved into places of prominence in law, medicine, the universities, and the government bureaucracy.

Some of the bazaaris are powerful in their own right. Predominantly middle income, a number of bazaaris are in the multimillionaire category. A prominent example is Mahmud Manian, one of the five chiefs of the Bazaar Merchants Association and an anti-Shah dissident. Often referred to as a "shoemaker," Manian owns a shoe factory which employed hundreds of workers before the revolution, and his multimillion dollar industrial holdings also include an electric appliance manufacturing company. 25X1

Organization

Within and between bazaars, the merchants are linked by centuries-old family, ethnic, tribal, religious, and commercial ties. Since kinship is of great importance in Iranian society and friendships outside the bazaar are minimal, these ties along with personal friendships provide a powerful basis for unifying and organizing. Hence, the bazaaris by consensus recognize a head for each major business branch, who needs never be elected formally. These leaders have a network of lieutenants who in turn run their own subgroups. The pyramidal structure extends down to the *luti*—the tens of thousands of porters and laborers who work in the bazaars. 25X1

Over the course of centuries an unwritten code of behavior and honor based on Islamic principles has evolved. The community disburses both aid and punishment; it supports the needy until they can get back on their feet, while ensuring that those in disfavor are given no opportunities in the bazaar. No merchant can afford to disregard the hierarchy of the bazaar for fear of being blackballed. 25X1 25X1

Connection With the Mosque

Islam is a common denominator among most bazaaris, playing an important role in their lives. Formal observance of Islam, with its emphasis on regular communal activities, provides a basis for social solidarity which in turn lays the foundation for concerted action in the self-interest of the bazaar. Religion also provides a legitimate channel for the display of wealth and prestige in the community. A pious bazaari is ascribed personal qualities beneficial to his business dealings; a show of wealth is viewed as the just reward for the fulfillment of religious duties rather than conspicuous consumption. 25X1 25X1

The bazaaris hold a prestigious position in Islam, which was founded by a successful businessman,[2] and respect trade as the most noble occupation and the most lawful profession. Trade is viewed foremost as an event entailing human contact and dialogue rather than as a commercial transaction; hence, it is considered proper to trade in the bazaar but improper to shop in impersonal supermarkets. The *Makaseb* (the collection of Shia commercial laws) governs business dealings in the bazaar, though these are often not strictly observed since few of the bazaaris can read Arabic.

For their part, the bazaaris have been among the staunchest supporters of the mosque, both financially and philosophically. Traditionally, they provide the bulk of mosque funds through tithing up to one-fifth of their income; prior to the revolution, about 80 percent of the money available to Shia leaders came from the bazaar. The bazaaris also listened sympathetically to the clergy's complaints and supported a return to Islamic fundamentalism. Besides financing, the bazaaris have aided the mullahs in times of upheaval by mobilizing their forces and using their communications network to help paralyze the economy and bring mobs into the street. Prior to the 1978 revolution, the merchants had supported the mullahs on at least two occasions in this century—the Constitutional Revolution of 1905-07 and the urban riots of June 1963.

Opposition to the Shah

The bazaaris' antipathy for the Shah had philosophical, religious, and commercial roots. The Western-oriented industrialization drive of the Shah ran counter to the conservative, Islamic-oriented outlook of the bazaaris, while his modernistic policies stirred opposition on religious grounds. Early on, the bazaaris supported the embittered clergy in their protest against the Shah's land reform, which removed much of the *waqf* (religious) lands from the control of the mosque. Likewise, the merchants joined religious Iranians in opposing modernizing measures such as coeducation and women's divorce rights.

Opposition to the Shah also had a strong commercial motivation. In the rush toward industrialization, the bazaar was being bypassed. Newcomers with palace and government connections were reaping the rewards of economic development—often through bribery rather than the time-honored bazaari tradition of bargaining. Government-sponsored banks began to take over financing, and state enterprises often took near-exclusive control over much of the trade, such as in caviar, tobacco, and many agricultural commodities. 25X1

Other unpopular acts affecting the bazaaris included: 25X1

- Implementation of price controls in 1975, policed by 10,000 inspectors. At least initially, the power of the bazaaris to control the minimum price of almost every commodity retailed in Iran was diminished. A reported 250,000 shopkeepers nationwide were penalized for breaking controls before the program died down; 8,000 merchants served prison sentences.

- An attempt to make the bazaaris pay social security contributions for their workers. This was unacceptable to the bazaaris who take care of their own and practice charity according to the rules of Islam. Protest was so strong that the government had to back down. Even this did not calm the angered bazaaris since taxes and government efficiency in collecting them continued to rise at the time when recession threatened their well-being. 25X1

- A decision by the Tehran city government, never implemented, to build a freeway through the center of the bazaar 25X1

Aftermath of the Revolution

While the bazaaris have demonstrated their ability to influence events in Iran, they have gained little economically from the revolution. Even though government interference in their activities has been reduced, the bazaaris have not proved able to mold government policies in their favor. They have received no special benefits and, in fact, have been hurt by the downturn in economic activity. 25X1

Immediately after the revolution credit was tight and international trade severely curtailed. This situation now appears to have eased a bit. Shops are well stocked with less expensive consumer items, and there are signs 25X1

[2] Muhammad and the first caliph are counted among the most famous merchants of Mecca.

of an upswing in consumer spending. The more expensive consumer durables, however, are probably moving slowly, as many of the upper middle class have left Iran or are attempting to leave. Nonoil exports are still curtailed, with carpet exports totally banned. Both legal importation and smuggling of food and consumer items seem to have picked up, but imports of other categories of goods are still depressed.

Outlook

It is not clear whether the reduction of government influence and the resurgence of Islam will be enough to ensure continued bazaari support for Khomeini. The bazaar remains a stronghold of traditional religion in Iranian society, and many bazaaris still appear to be aligned with the Ayatollah. Support could evaporate, however, if the economy deteriorates and the security situation worsens in the months ahead. While religious, the bazaaris are pragmatic in monetary matters, and they could turn to other religious leaders or to a strong secular leader who would restore stability and profits to the country.

Two postrevolutionary developments have been particularly disturbing to the bazaaris:

- The recent nationalizations of banks and other businesses are viewed as a major threat. Speaking for the bazaaris, Mahmud Manian recently demanded that the government return certain nationalized enterprises to private ownership. He stated that bazaaris should be allowed to return to their old ways of controlling business and commerce and exhorted the government to adopt a free market policy.

- Another foreboding event was the prosecution of shopowners and traders for profiteering by a special court of the Khomeini Guilds Committee. The Committee urged residents to report any trader or shopkeeper found "indulging in actions against the ideals of the Revolution," such as profiteering and hoarding. This development is strikingly similar to the Shah's previous price control campaign.

There have been growing signs of disenchantment with the Khomeini revolution. On occasion, a rural bazaar has shut down in protest of heavy-handed activities by revolutionary guards and committees. Some bazaaris have been hedging their bets by paying protection money to the leftist Fedayeen organization. There are also indications of increasing bazaari support and funding of the Muslim People's Islamic Republic Party of Ayatollah Shariat-Madari. The US Embassy in Tehran reported that Shariat-Madari's picture is replacing Khomeini's in many bazaar shops—a low-key form of protest. 25X1

Urban Labor Force: Fertile Ground for Unrest

The modern labor sector, which played a pivotal role in the Shah's overthrow, represents a volatile and destabilizing force in today's Iran. While Iranian urban workers have given enthusiastic political support to Khomeini, they have been unresponsive to his calls to sacrifice for the revolution and to resume productive work. As the semiparalysis in urban commerce and industry continues and as subsistence funds dwindle, urban workers will become even more dissatisfied. 25X1
Unless the economy revives, these workers, newly aware of their political clout, could become a focal point in a growing challenge to the Islamic Republic.

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Characteristics of the Modern Sector Labor Force

The urban labor force grew rapidly in the post-1973 oil boom years, as rural dwellers flocked to the cities in search of construction and factory jobs created by the Shah's industrialization drive. These migrants were almost exclusively male, very young—most often the 15 to 34 age bracket—and generally illiterate, unskilled, and religiously conservative. Many of the newcomers sought employment in Tehran, where more than half of all manufactured goods are produced. They also moved into the steel, petrochemical, refining, and ordnance plants of Isfahan; the electronics industry centered in Shiraz; the heavy engineering industry of Tabriz; and the oil industry center of Ahwaz. 25X1 25X1

Despite their lack of skills, the new entrants found themselves in a sellers market where they could command high salaries. This resulted in pampered

workers, whose high rate of absenteeism, theft, job-hopping (annual turnover in many plants reached 45 to 50 percent per year), and slowdowns made them among the least productive and most expensive workers in the world

Iran lacks the tradition of an independent labor union organization, and labor's political power was weak up until revolution. Workers had been frequently used as political pawns by the Shah, first in a power play against the large landowners and then against the growing strength of the industrialists. In 1957 the Shah outlawed all unions, fearing that the extreme youth and inexperience of the industrial labor force made the workers easy prey for political subversion. By 1962, he had switched tactics, encouraging government-controlled unions, as a way to control leftist influence. Only those unions certified by the National Organization for Intelligence and Security (SAVAK) were permitted to function, usually under handpicked leaders.

As Iran's financial position strengthened in the mid-1970s, the Shah's government initiated efforts to buy worker loyalty. Labor relations became increasingly paternalistic. The government passed laws granting workers automatic pay hikes, generous social benefits, and opportunities to buy into company ownership on favorable terms. It also sided with workers in labor disputes and enforced the 1959 labor code provision that no worker could be fired until his case was reviewed by the Labor Ministry Court, which usually found in favor of the worker.

Labor Bloom Begins to Fade

Despite increased benefits and wages, many urban workers had become disenchanted with their lot by the beginning of 1978. Their rising expectations were being stifled by (a) the economic downturn, which increased unemployment, especially in the construction sector, and (b) the deterioration of living conditions in the cities. Workers become more active in pressing their demands for better pay, longer vacations, and improved pensions. The government's repeated assertion that it intended to reduce annual bonuses—which often amounted to several months' pay—increased wildcat strikes.

As general political turmoil took hold in Iran, unemployed and underemployed workers, living on the fringes of society in places such as south Tehran, joined the anti-Shah demonstrations. For the most part, however, participating workers were not members of identifiable worker groups. Generally they were recruited by representatives of neighborhood mosques responsible for organizing protests 25X1

As the anti-Shah movement built up steam in the second half of 1978, workers in government ministries, factories, and the vital oilfields walked off their jobs. The strikes in the southern oilfields were the critical expression of labor's force in the revolution and were pivotal in the Shah's overthrow. Even with the intervention of emissaries from Ayatollah Khomeini, who was still exiled in Paris, the independent-minded oil workers initially refused to return to work. Their resistance was made easier, as was that of factory workers, by their continuing to receive paychecks while on strike. 25X1

The government, hoping to defuse worker protest, granted practically all their exorbitant wage and fringe benefit demands. This sign of government weakness merely encouraged additional groups to walk off their jobs and fostered a shift from economic to political demands. 25X1

Labor in Postrevolutionary Iran

With much of Iran's modern urban-based economy at a standstill, the lot of the average urban worker has further deteriorated since the revolution. Although the 25X1
extent of unemployment is disguised by padded employment rolls, we believe that between 2 million and 3 million workers (out of a national labor force of approximately 11 million) are without jobs; several million more are underemployed. Many of the 1.2 million workers formerly employed in the construction sector, unlike idle industrial workers, are not being paid and must subsist largely on a cushion of personal savings, family assistance, and help from the mosque.

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Some workers are demonstrating their dissatisfaction with current conditions through strikes and sit-ins, but most are biding their time in hope that the revolutionary leadership will eventually be able to fulfill its promises to improve their lives. Workers in the modern labor sector, having successfully flexed their muscles during the revolution, have not responded to urgings to sacrifice for the revolution. Many workers have ignored Khomeini's call to return to their jobs to help revitalize the moribund economy, and the nationalization of the nation's major industries apparently has not spurred workers to resume productive activities.

Oil workers, who many think were the proximate cause of the Shah's downfall, have returned to their jobs, but are demanding a voice in the management of the National Iranian Oil Company and in government directives concerning oil. While oil production has remained at or near the level of 4 million barrels per day for most of the period since April the decision to produce at that rate apparently required the okay of oil workers. In Khuzestan Province, where 90 percent of Iran's oil is produced, local Arab leaders have threatened to cut off production/exports completely if the Khomeini government refuses to meet their demands for improved conditions and a measure of local autonomy.

Worker committees that sprang up during the revolution—composed in many cases of the most radical workers in a given enterprise—have served to reinforce worker resistance to a return to normalcy and have successfully kept prerevolutionary management at bay. Committees have demanded the right to involve themselves in all aspects of management, including the formulation of wage scales, social benefits, and the selection of supervisors, and have insisted that management agree to follow all decisions voted on by the committees. Moreover, in those factories where managers tried to eliminate nonproductive workers, committees have successfully demanded severance benefits equal to as much as six months' pay for each year worked. This has effectively prevented most layoffs.

We have only spotty information about labor/political organizing among workers in Iran since the revolution. We assume that radicals and leftists of various stripes have taken advantage of continuing chaos to recruit workers to their cause. An Iranian political analyst asserts that the *chariks*—Marxist guerrillas—are courting workers with economic assistance and are sponsoring "educational" sessions at factory sites during lunch hours. 25X1

Government Efforts and Plans

Apart from pleas from Ayatollah Khomeini for workers to cease strike activities and resume productive work, the government has done little to cope with the problems of several million unemployed and underemployed. Darius Foruhar, Minister of Labor in the Bazargan government, who conceded that there is a role for legitimate trade unions, opposed worker interference in management functions. Foruhar claimed that the government had established a "special force" to regulate labor and to reduce worker interference. 25X1 25X1

Foruhar claimed that the Bazargan government intended to reactivate stalled rural highway and housing projects in an effort to encourage local residents to remain and to attract urban unemployed to return to the countryside. According to Admiral Madani, the Governor-General of Khuzestan Province, several public works projects have already been funded to achieve these objectives in his province. In April, the government also created a $140-million-per-month loan fund to provide emergency aid to the unemployed. Until recent weeks, little money has been disbursed from this fund. In any case, this fund, even if fully spent, would barely put a dent in the nation's unemployment problem. 25X1 25X1

Outlook

The government thus far has been unable to decide on the desirable composition and level of production in postrevolutionary Iran. This indecision, coupled with intransigent labor problems, precludes any meaningful economic revival in the near term. Workers who hoped to reap substantial economic benefits from the new Islamic government find their rising expectations dashed by high unemployment, rising inflation, and shortages of goods, including textiles, plastics, vegetable oil, soaps and detergents, certain medical supplies, auto parts, and paper products 25X1 25X1

As the lot of the urban unemployed and underemployed worsens, increased political activity can be expected. The core of young, illiterate, unskilled, and unemployed city workers could turn to the left. Moreover, the modern middle class, many of whom lost their jobs when foreign-owned companies folded, has found its hopes dashed as well. Although Khomeini currently remains the commanding presence in Iran and clearly retains the allegiance and adoration of most of the modern labor force, the seeds for eventual demise of the Islamic Republic may be planted in his failure to revive the economy.

A revival can only come about if the government overcomes its provisional image and self-perception, develops confidence in itself, and comes to grips with the need to generate a comprehensive economic policy. New upper- and middle-level managers will have to be developed to replace those who have left the country, been imprisoned, or fired. In addition, the more intransigent worker committees will have to be brought under control and the policy against dismissals reversed. the last two requisites are beginning to be met.

Civil Servants:
Chameleons of Revolution

Civil servants, the predominantly middle class technocrats in the boiler room of any functioning Iranian Government, participated in but were not leaders of the Islamic Revolution. Government workers joined the Shah's opposition out of a mixture of economic, political, and religious motives. While many of the senior managers felt that they could eventually capture control of the movement, they subsequently found that it was Khomeini's forces who manipulated them. Many government workers were frightened by the executions of counterrevolutionaries; few appear to be actively doing their jobs, and even fewer are risking initiatives. Their growing disillusionment with the new Islamic Republic is not likely to become focused unless a strong secular leader appears on the scene.

Characteristics
of the Iranian Bureaucracy

The Persians have one of the world's oldest bureaucratic traditions, and the civil servant class (*karmandan*) has constituted the machinery of day-to-day government. The bureaucrats in turn have been directed and controlled by the ruling class. Because of this control, the *karmandan* have been more or less the servants of the upper class. The bureaucracy has provided a unique opportunity for the most ambitious and best educated of the middle and lower class to move into the elite decisionmaking group if they demonstrate competence and/or allegiance to the right master. 25X1 25X1

Government service has traditionally been prized as a secure job, and near the end of the Shah's reign about 350,000 persons were employed in ministries and government agencies under Civil Service Regulations.[3] While traditionally part of the middle class, government employees have felt (and often have been) underpaid compared with workers in the private sector. Official pay has been kept low under the assumptio 25X1 that it would be supplemented in the form of 25X1 *bakhshish* (payoffs). 25X1

Even the lowest ranking civil servant has considered his position a personal fiefdom, and persons wishing service from the bureaucracy have routinely paid *bakhshish* to assure that the civil servant's special knowledge and competence would be brought to bear on his case. At the higher levels of the bureaucracy, this frequently has resulted in the skimming off of large sums of government funds earmarked for development purposes. It has also bred discontent among the many conscientious workers and those unable to take advantage of the system, who have found their official earnings and benefits constantly eroded by inflation. 25X1

While the old bureaucracy in Iran tended to be conservative and highly religious, the Shah's extravagant economic goals created a corps of highly educated and skilled technocrats much more liberal minded and 25X1

[3] An additional 400,000 to 450,000 were on the state payroll, primarily in the military, and are not treated in this article. 25X1

Western oriented. The new bureaucrat has received modern training instead of the traditional *maktab-madrasah* education (education under the auspices of the religious community). Many have received their training abroad; others were taught in the secular schools created by the Shah. By the mid-1970s, the Ministry of Education had grown into the largest government body, employing about half the bureaucracy, and the number of civil servants with more than a high school education had doubled since the mid-1960s, to 20 percent.

The religious community viewed this secularization of the educational system—and thus the bureaucracy—as a threat to its influence and to basic Islamic principles. One of the more offensive changes was the large-scale promotion of women's rights under the Shah. With the opening of education and occupational opportunities, the number of women working for the government in the mid-1970s reached about 90,000, triple the number employed a decade earlier. In comparison, the number of male workers over the same period remained constant. Employment of women by the government, however, was limited primarily to urban areas, as the government was unsuccessful in pushing its campaign for women's rights into the conservative rural areas.

Molding the Bureaucracy

The Shah followed the traditional principle of divide and rule. Agencies with parallel functions were created to act as watch dogs over each other. Power was distributed to a series of individuals or agencies with overlapping responsibilities so that each became fragmented and weak. Loyalty could be found in a handful of trusted officials at the top; for most, the system generated mistrust and mutual antagonism. The resulting tension had many undesirable effects. Government officials came to expect the Shah to provide all policy guidance and avoided taking initiative.

Concentration of authority and responsibility at the top meant that action occurred within the bureaucracy only when royal attention was focused on a particular subject. The high degree of insecurity caused many to avoid top positions in government. The result was a very thin layer of overburdened decisionmakers. High officials often were forced to make decisions on weighty matters without adequate study because they could not find enough people to whom they could delegate authority. 25X1

The Bureaucrats and the Revolution

The Shah was not completely successful in reforming and molding the bureaucracy to meet his needs. This was partly because friends of the regime generally were immune to reform measures. Also, traditions die hard; while the positions and loyalties of old bureaucrats were slowly weakened and undercut, they were not destroyed. Foreign educated officials, trying to 25X1 impose order in unwieldy domains, found these deepset attitudes a major barrier to moving on with the job. They often lost sight of their goals and became indistinguishable, except in dress, from their predecessors of a century ago. 25X1

The shakiness of the Shah's grip on government employees manifested itself in October 1978 when civil servants joined private sector workers in demonstrations and strikes organized by the Shah's religious and political opposition. While their demands initially were focused on salaries and benefits, they soon escalated to political opposition to the Shah. The work stoppages practically eliminated economic policymaking and shut down administrative functions. Not surprisingly, however, enough workers were found to get out the 25X1 payrolls. When the fall of the Shah became imminent, senior officials struggled to maintain tranquility in their ministries and threw their weight behind Khomeini. This did not reflect so much their support of Khomeini's ideas but their belief that they could eventually capture control of the revolutionary movement because only they possessed the skills necessary to run a modern state. 25X1

Senior government officials, however, were insufficiently organized—mainly because of the Shah's divide and conquer policies—to present a unified front and thus offered no alternative to an Islamic Republic. 25X1 They subsequently found Khomeini's movement used them rather than vice versa. With establishment of the Islamic Republic many key officials were forced to flee the country, were fired, or were summarily executed because of their close association with the Shah. 25X1

Aftermath of the Revolution

While rank-and-file bureaucrats supported the revolution, they have not been immediate beneficiaries. In one of its first acts, the new government reduced the special allowances and compensation of government bureaucrats, reducing the real income of most higher government officials by as much as 50 percent. Women in the civil service ranks were singled out for harassment. While they were allowed to return to work, the position of women in general is tenuous, as exemplified by (a) the requirement for a more conservative mode of dress; (b) exclusion from certain training, for example, in the legal field; and (c) the reduction of marriage age of females to 12 years, as part of the general return to Islamic precepts.

Mundane activities such as directing traffic and stamping passports are being taken care of. At the same time, the *karmandan* have often ignored the Ayatollah's call to engage in productive activities, opting instead for long tea drinking sessions and political discussions. Economic planning remains in disarray, and administrative offices are barely functioning. We have received numerous reports of government projects at a standstill and of delays in government welfare payments. Most rank-and-file workers still show up at work and collect their paychecks; without supervision, direction, and confidence that the revolution has ended, they do little. A purge of antirevolutionary bureaucrats has been threatened in an attempt to get government activity moving.

Outlook

A return to normalcy in the bureaucracy is not likely until Khomeini establishes some form of hierarchical control. Many *karmandans* perceived the Bazargan government as a temporary institution and chose to avoid decisions rather than do something that could be construed as counterrevolutionary. Government employees will continue to lie low until they receive explicit directions for the formulation and implementation of new policies for the post-Shah era. Installation of a permanent government, after approval of the new theocratic constitution, presumably would prompt the bureaucracy to resume a more normal level of activity.

While the *karmandan* continue to respect Khomeini as a revolutionary leader, he has not established control over the daily details of government, and the civil servants are becoming increasingly disillusioned with his policies and the continued chaos in Iran. Morover, the concept of a strict Islamic Republic does not fit with the modern outlook of most government workers, especially the more highly educated. Khomeini's old-fashioned view of women and the mullahs' suppression of democratic freedoms no doubt are alienating many. All this said, dissension within the bureaucracy is not likely to pose a threat to the revolutionary government unless a strong secular leader appears. 25X1

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Unrest Among Peasantry

Iran's 17-million rural inhabitants—hitherto supporters of the new Islamic Republic—are becoming increasingly restive. This trend could accelerate in the coming months unless the regime can devise and implement effective agricultural policies. The policies so far suggested by the revolutionary leadership—including a rural-based Iran and a reversal of rural-urban migration—probably would depress agricultural activity and fan resentment. Rural tensions—some of which began with the Shah's land reform in the 1960s—already are being reflected in widespread land seizures as the breakdown in law and order continues.

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Rural Traits as Basis of Political Apathy

Most Iranian peasants have little knowledge or interest in life beyond the village. Over the centuries, they have acquired a deep-seated distrust for government officials, who are viewed as outsiders interested only in exploiting the villagers. The limited interest rural dwellers display in life outside the village has been the result of their membership in tribes or ethnic minorities, which for many purposes transcends class relations. 25X1

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A strong sense of individualism and the focusing of primary loyalties on the family have been major factors in the peasants' isolation and political apathy. The extended family is the basic social unit in rural areas, providing its members with identity, security, and social orientation. The traditional importance of the family is reinforced by Islamic beliefs and practices.

Illiteracy and fragmentation of the rural sector—only one-fourth of the 65,000 villages scattered about the countryside have more than 250 inhabitants—have also bolstered the inwardness of rural life. Books and teachers have been scarce, and, in any case, educational attainment previously has had little effect on income. The Literacy Corps, formed by the Shah from urban students doing national service, managed to penetrate into some of the isolated rural areas. Nevertheless, even in the early 1970s enrollment in primary education was still only 40 percent in rural areas compared with 90 percent in the cities. About 3-million primary school age children remain out of school, chiefly because of parental objection.

Forces of Change

The pattern of rural life was jarred in the 1960s by a land reform instituted by the Shah as part of the White Revolution. Although achieving its primary goal of breaking the power of the absentee landowners, the land reform failed to coalesce new political support for the Shah and widened the gap between landed and landless peasants. Under the program, only 2-million peasant families (*nasaqdars)* were given the right (*nasaq)* to work a particular piece of land; the majority of agricultural workers and village laborers (*khushnishins)* were outside the program. While the *nasaqdars* for the most part remained close to the subsistence level, their social and economic standing relative to the *khushnishins* improved somewhat.

Land reform did little economically to help agriculture, which was downplayed by the Shah in his drive to modernize industry in the 1970s. In fact, land reform compounded the problem of small-scale production, contributing to the inability of agriculture to meet rapidly rising domestic demand. Iran shifted from being a net exporter of agricultural goods in the late 1960s to being a net importer of one-fourth of its food in 1978. Although the average Iranian peasant is better off in absolute terms today than a decade ago, the gap between rural and urban incomes has grown—peasant incomes in 1978 were only one-fifth of urban worker incomes, compared with an estimated one-third in 1970. As the oil bonanza pushed up urban incomes, the government kept food prices low, the increased demand for food being satisfied largely through imports. In short, the peasant failed to get the economic return normally dictated by boom conditions. 25X1 25X1

Thousands of farm workers continued to be pulled into the cities by the Shah's industrialization drive. Migration created rural labor shortages and, as workers revisited their native villages, heightened awareness of the outside world, its material goods, and its political events. 25X1

Despite increasing discontent, rural dwellers, by and large, did not participate actively in the Islamic Revolution of 1978-79. At the same time, the rural population was sympathetic to the idea of a more religious Iran and was traditionally opposed to strong central governments. The thousands of demonstrators that the mullahs were able to put in the streets were made up largely of peasants who had migrated to the cities. 25X1 25X1

Aftermath of Islamic Revolution

While the revolution originally was an urban-based phenomenon, it has had an increasing impact on the rural sector. The large commercial farms that were untouched by the Shah's land reform and that yielded one-half the value added in agriculture have suffered from the general disruptions of the economy. For example, port strikes and payment difficulties have cut imports of animal feed, forcing two-thirds of the poultry businesses to close. Cotton output has been reduced because of widespread shortages of fertilizer and pesticides, attributable to strikes, fuel shortages, and turmoil in the ports. Subsistence farmers, less affected by these problems, should benefit this year from favorable weather. 25X1 25X1

Widespread land usurpations, not only by *khushnishins* but also by former landlords who lost their lands to land reform, are deepening the feeling of insecurity. Losses in farm production in the richer lands of the north (including Mazandaran) and west, are particularly heavy; many districts are controlled by ethnic minorities, some of whom are seizing land and some of whom have been in open revolt.

Policies of the Government

Khomeini's vision of an Islamic Republic in Iran does not yet include specific plans for the rural sector although he has expounded a vague goal of agricultural self-sufficiency and a society based on rural virtues. An original aim of the revolutionary leaders was to give every rural dweller a plot of land—the Koran holds that every person is entitled to own the land he works. More recently, Khomeini has alluded to some form of land reform that could (a) return to the religious establishment lands taken during the Shah's land reform program and (b) give to the poor those lands on which owners have not paid "Islamic Taxes." Khomeini's economic adviser Bani Sadr has also suggested that 1.6 million workers encouraged to migrate to the cities by the Shah be returned to the rural districts and live in the old network of villages. While Bani Sadr has admitted this might resemble a Kampuchea-style operation, he optimistically maintains it could be accomplished by the use of faith and persuasion rather than force.

The Bazargan administration allocated funds for low-interest agricultural loans and eased government restrictions on the importation of agricultural inputs, such as feed grains and pesticides. It also raised the support prices for domestic cereal crops and restricted the importation of some fruits to help local producers. The administration, however, has been too disorganized to make hard decisions on basic agricultural policy.

Outlook

The Iranian Government needs peace in the countryside and peasant cooperation to begin restructuring the economy. The Islamic leadership may be able to use the increased prominence of Islam to maintain at least passive support among most peasants. Except for ethnic minorities struggling for autonomy, most rural dwellers simply want to get on with the business of living their own lives with a minimum of government interference. Peasant attitudes could change radically if government initiatives adversely affected rural lifestyles. 25X1 25X1

Khomeini, like the Shah, could find that land reform often causes more problems than it solves. In addition to the land fragmentation that could occur from further land reform, plots would become even smaller if land were divided among the inheritors as required by Islamic Law—a practice abolished under the Shah but obviously favored by religious leaders. Aware of the effects on production, some leaders may soft-pedal land reform; a few religious leaders have already conceded that the Koran does not provide a guide for the way larger enterprises, such as commercial farms, are to be handled. Regardless of the course of land reform, land usurpations are continuing. Because of the continued general instability of the countryside, friction between the landed and the landless almost certainly will mark the rural situation. 25X1 25X1

With urban economic activity severely depressed and government deemphasis of industrialization, job opportunities in the cities have dried up. Government attempts to send former rural inhabitants back to the country might be inaugurated to reduce urban unemployment and to alleviate labor shortages in some rural areas. Most former villagers are unwilling to return to the harsh conditions of the countryside. Their lack of incentive, poor attitude toward rural life, and exposure to urban politics would lead to further social and political disruptions. 25X1 25X1